

**SETTLEMENT TESTIMONY OF**  
**DAWN M. HIPPI**  
**ON BEHALF OF**  
**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**  
**DOCKET NO. 2021-324-WS**

1   **Q.   PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

2   A.           My name is Dawn M. Hipp. My business address is 1401 Main Street, Suite 900,  
3           Columbia, South Carolina, 29201. I am employed by the State of South Carolina as the  
4           Chief Operating Officer of the Office of Regulatory Staff (“ORS”).

5   **Q.   DID YOU FILE DIRECT AND SURREBUTTAL TESTIMONY AND EXHIBITS**  
6   **RELATED TO THIS PROCEEDING?**

7   A.           Yes, I filed both Direct and Surrebuttal Testimony and exhibits with the Public  
8           Service Commission of South Carolina (“Commission”) on February 24, 2022, and March  
9           28, 2022. I also filed an unredacted version of my Direct Testimony on March 30, 2022.

10   **Q.   PLEASE EXPLAIN THE PURPOSE OF YOUR SETTLEMENT TESTIMONY.**

11   A.           My settlement testimony supports and explains the settlement agreement reached  
12           between Kiawah Island Utility, Inc. (“KIU” or the “Company”); the Town of Kiawah  
13           Island (“Town”); and ORS (“Settling Parties”) and filed in this docket on March 28, 2022  
14           (“Settlement Agreement”). The South Carolina Department of Consumer Affairs, while  
15           not a signatory to this Settlement Agreement, has indicated it does not oppose the approval  
16           of the Settlement Agreement.

The Settlement Agreement is the result of earnest, good faith, and complex negotiations between stakeholders with diverse interests. In the spirit of collaboration, each of the Settling Parties made compromises from their original positions to achieve a balanced resolution of all issues in the rate proceeding. The compromises among the Settling Parties demonstrate the collective support for recovery of reasonable and prudent investments to provide reliable and high-quality water and sewer service for the citizens of Kiawah Island. ORS appreciates the transparent and robust discussions of all the parties to this docket. ORS requests the Commission consider the approval of the Settlement Agreement, as filed, on March 28, 2022.

**Q. PLEASE EXPLAIN HOW THE SETTLEMENT AGREEMENT IS IN THE PUBLIC INTEREST.**

A. The Settlement Agreement reduces the requested annual revenue requirement increase by approximately \$800,997, which is an almost 60% reduction. As a result, the average residential water customer using an average 11,000 gallons of water per month will experience an increase of approximately \$5.83 compared to an increase of \$8.31 as requested in the Company's rate Application. A residential sewer customer using 11,000 gallons of water will see no increase compared to the increase of approximately \$3.49 as requested by the Company's Application. The Settlement Agreement works to minimize the overall increase while preserving investments by the Company to provide reliable and high-quality service.

Overall, the Settlement Agreement reduces the revenue increase from 14.10% to 5.77%.

**Q. DOES THE SETTLEMENT AGREEMENT CONTAIN CUSTOMER BENEFITS THAT COULD NOT HAVE BEEN ACHIEVED OUTSIDE OF A SETTLEMENT PROCESS?**

A. Yes. In the Settlement Agreement, the Company has agreed not to file a general rate case before 18 months from the date the final order is issued in this proceeding, except where necessary due to unforeseen extraordinary economic or financial conditions which may include, but not be limited to, changes in tax rates. This means, absent such unforeseen extraordinary conditions, that customer's rates will not be impacted by a general rate increase until at least two years from the date the final order is issued in this proceeding. The delay in a general rate proceeding will assist customers as they face rising interest rates and inflation pressures.

**Q. DOES THE SETTLEMENT AGREEMENT CONTAIN ANY OTHER UNIQUE ATTRIBUTES?**

A. Yes. The Settlement Agreement includes a commitment by KIU to complete two (2) studies before the next general rate proceeding. One study will be a Lead-Lag study that will be filed with the Commission and inform the determination of the Company's Cash Working Capital. In the second study, the Company will conduct a Shared Service Study using a third-party consultant to evaluate the contract or shared services provided to KIU from its parent Company, SouthWest Water Company ("SWWC"), SWWC affiliates, and the Corporate Shared Services business unit. The objective of the Shared Service Study will be to determine if the charges incurred by KIU during the Test Year in the next rate proceeding are reasonable and necessary, helping to ensure the maximization of customer benefits from shared services. The results of the study will help the Commission, Company,

1 and stakeholders to understand and evaluate with greater clarity and definition the benefits  
2 of KIU's corporate structure. Both studies are recognized, established regulatory tools. The  
3 studies will be among the first of their kind completed by a water or wastewater utility in  
4 South Carolina and represent meaningful, incremental innovation in South Carolina  
5 regulatory practice that will support the Commission's ongoing efforts to establish just and  
6 reasonable rates according to objective and measurable frameworks.

7 The Settlement Agreement also includes a commitment by KIU to file its next rate  
8 case under the rate of return methodology. This certainty around methodology will help  
9 the parties streamline any issues relating to rate of return in KIU's next rate case in order  
10 to minimize costs to customers.

11 **Q. IS THE COMPREHENSIVE SETTLEMENT AGREEMENT IN THE PUBLIC**  
12 **INTEREST AND DOES IT RESULT IN JUST AND REASONABLE RATES?**

13 A. Yes, for the reasons I discussed previously in my Settlement Testimony. The ORS  
14 fully supports the Settlement Agreement. ORS respectfully requests the Commission  
15 consider approval of the Settlement Agreement as presented.

16 **Q. DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?**

17 A. Yes, it does.